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INSIGHTS

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Holiday Instant Catalog



A New Start for Scientific Games Lottery in 2022

With decades in the lottery business, the Scientific Games Lottery Group will return to its roots in 2022. Once the acquisition of Scientific Games Corporation's lottery business by Brookfield Business Partners L.P. is completed, which is expected in the second quarter next year, the "new" standalone Scientific Games Lottery Group will focus 100% on the products and services offered to lotteries around the world. The move comes eight years after the company first started diversifying into the gaming business with acquisitions of WMS Gaming and Bally Technologies in 2013 and 2014, respectively.

Pat McHugh, currently serving as the company's Lottery Group Chief Executive, will assume the role of Chief Executive Officer of Scientific Games upon closing – the name stays with the new lottery-focused company. He noted that the Lottery Group has been seeing record growth in recent years, reaching \$1 billion in revenues for the first time, so the timing is right.

"When we first acquired the gaming companies, there were a lot of synergies. We were able to combine technologies and experiences across the lottery and casino channels." That included things like sharing systems, learning from the advanced loyalty programs in place in the casino industry, how to collect and use data for improved analytics, and handling

cashless payments. The combined company also had the resources to make acquisitions, especially related to digital technology and content. "We're positioned where it makes sense to separate so we can accelerate innovation and growth focused specifically on our industry. We all walk away with much increased financial capacity and a greater suite of products."

"Everything we are doing today is around the intersect of games, enabling technology, analytics and services."

McHugh noted that the lottery industry is used to thinking of the supplier community as either instant game providers or systems providers. "For Scientific Games Lottery, we've progressed beyond that. We're not an instant game company, we're not a systems company – we're a lottery company. Everything we are doing today is around the intersect of games, enabling technology, analytics and services. More and more, our business has become bundled across those categories in both retail and

digital. We're heavily focused on the digital expansion of the industry, but we're also very bullish on retail and will continue to invest heavily there."

The \$6.05 billion purchase by Brookfield (\$5.825 billion in cash with additional consideration based on achieving EBITDA targets) allows the company to pay down debt, putting Scientific Games in a better financial position to make strategic investments in lottery innovations going forward. All existing operations under the Lottery Group stay intact, with the addition of the company's iLottery assets (which have been shared with the company's Digital Group) and lottery sports betting platforms. "There has been very positive feedback," said McHugh. "I think our customers are very pleased to know that we are going to be focused 100% on the lottery industry and better positioned for the future."

Since the proposed sale of the Lottery Group in June, innovation has continued. The company signaled the acquisition of Sideplay Entertainment, a digital instant game studio, in late August. "That would not have happened without this transaction, so we are starting to already get that flexibility to accelerate investment into our lottery business." ■



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